

**RTA EMPLOYEES DEFINED BENEFIT PLAN
AND TRUST**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2015

INDEX

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis.....	3-5
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Financial Statements.....	8-23
Required Supplementary Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios	24
Schedule of Contributions	25
Schedule of Investment Returns	26

INDEPENDENT AUDITOR'S REPORT

July 31, 2016

RTA Employees Defined Benefit Plan and Trust
Corpus Christi, Texas

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position and changes in fiduciary net position of RTA Employees Defined Benefit Plan and Trust (Plan), as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RTA Employees Defined Benefit Plan and Trust as of December 31, 2015 and 2014, and the changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S generally accepted accounting principles require that the Management's Discussion and analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions and the Supplementary Schedules of on pages 3-5 and pages 24-26 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Collier, Johnson & Woods

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

Management's Discussion and Analysis

December 31, 2015
(Unaudited)

This section of the financial statements of the RTA Employees Defined Benefit Plan and Trust offers a narrative overview and analysis of the financial activities for the years ended December 31, 2015 and 2014. The reader of this statement should take time to read and evaluate all sections of this report, including the notes and other supplementary information that is provided in addition to the MD&A.

Financial Highlights and Analysis

- Net position restricted for pensions is available for payment retirement benefits and other qualified distributions to the Plan's participants. Net position restricted for pensions decreased by \$952 thousand or 3.05% in 2015 and increased by \$1.5 million or 5.22% in 2014. Changes primarily correlate with investment income (loss) and employer contributions compared to benefits paid.
- Employer contributions decreased \$193 thousand 16.4% in 2015, compared to a 7.53% decrease in 2014. The 2015 decrease is due to the excess contributions made for 2014, which were more than the actual required contribution.
- The amount of benefits paid to retired members and beneficiaries increased by \$244,972 or 19.62% during 2015 compared to 7.53% increase in 2014. This is a primary result of an increasing number of retirees.
- The Plan's rate of return on investments for the year ended December 31, 2015 was (1.42%) which was less than the return of 5.07% for the year ended December 31, 2014. The actuarial assumed rate of return is 7.5%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The financial statements are comprised of: (1) financial statements, (2) notes to the financial statements, and (3) required supplementary information.

The *Statement of Fiduciary Net Position* reports the Plan's assets and liabilities, with the difference between the two reported as net position. This is a measure of financial position, which can indicate financial condition improvement or deterioration from year to year.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Plan's net position changed during the fiscal year. It reflects contributions by the employer and investment income, along with deductions for retirement benefits, refunds, withdrawals, and administrative expenses.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes should be read as an integral part of the financial statements.

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

Management's Discussion and Analysis

December 31, 2015
(Unaudited)

Required Supplementary Information (unaudited) includes management's discussion and analysis (MD&A) and the schedule of changes in net pension liability and related ratios, the schedule of contributions, and the schedule of investment returns and is supplementary information required by U.S. generally accepted accounting principles.

CONDENSED FINANCIAL INFORMATION					
	DECEMBER			CHANGE	
	2015	2014	2013	2015-2014	2014-13
ASSETS					
Investments at Fair Value	30,210,461	31,162,434	29,617,120	(951,973)	1,545,314
Total Plan Assets	30,210,461	31,162,434	29,617,120	(951,973)	1,545,314
LIABILITIES					
	--	--	--	--	--
NET POSITION RESTRICTED FOR PENSIONS					
	30,210,461	31,162,434	29,617,120	(951,973)	1,545,314
Additions:					
Net Investment Income (Loss)	(348,950)	1,706,633	4,019,847	(2,055,583)	(2,313,214)
Employer Contributions	985,175	1,178,498	1,280,330	(193,323)	(101,832)
Total Additions	636,225	2,885,131	5,300,177	(2,248,906)	(2,415,046)
Deductions:					
Benefits Paid to Participants	1,493,324	1,248,352	1,160,885	244,972	87,467
Administrative Expenses	94,874	91,465	89,017	3,409	2,448
Total Deductions	1,588,198	1,339,817	1,249,902	248,381	89,915
NET INCREASE (DECREASE) IN NET POSITION					
	(951,973)	1,545,314	4,050,275	(2,497,287)	(2,504,961)

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

Management's Discussion and Analysis

December 31, 2015
(Unaudited)

Request for Information

This financial report is designed to provide our patrons and other interested parties with a general overview of the finances to demonstrate the Plan's accountability for the funds it receives. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Corpus Christi Regional Transportation Authority, Finance Department, 5658 Bear Lane, Corpus Christi, Texas 78405, (361) 289-2712. In addition, this Employees Defined Benefit Plan and Trust Financial Report for 2015 will be posted on the Authority's website: www.ccrta.org under the category "About CCRTA" – Financial Reports.

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

STATEMENT OF FIDUCIARY NET POSITION

	DECEMBER 31,	
	2015	2014
Assets:		
Investments, at Fair Value (Note 3):		
Money Market Funds	615,256	627,043
Mutual Funds	6,361,950	6,648,687
Collective Investments Funds	23,233,161	23,886,618
Total Investments, at Fair Value	<u>30,210,367</u>	<u>31,162,348</u>
Accrued Interest Receivable	94	86
Total Assets	<u>30,210,461</u>	<u>31,162,434</u>
Liabilities-	<u>--</u>	<u>--</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>30,210,461</u></u>	<u><u>31,162,434</u></u>

See Notes to Financial Statements.

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2015</u>	<u>2014</u>
Additions:		
Employer Contributions	985,175	1,178,498
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(462,739)	1,472,026
Interest	45,518	158,413
Dividends	9,816	10,628
Mutual/Common Trust Fund Earnings	58,455	65,566
Net Investment Income (Loss)	<u>(348,950)</u>	<u>1,706,633</u>
Total Additions	636,225	2,885,131
Deductions:		
Benefits Paid to Participants	1,493,324	1,248,352
Administrative Expenses	94,874	91,465
Total Deductions	<u>1,588,198</u>	<u>1,339,817</u>
Net Increase (Decrease) in Net Position	(951,973)	1,545,314
Net Position Beginning of Year	<u>31,162,434</u>	<u>29,617,120</u>
END OF YEAR	<u><u>30,210,461</u></u>	<u><u>31,162,434</u></u>

See Notes to Financial Statements.

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

Note 1 –DESCRIPTION OF THE PLAN

The following brief description of the RTA Employees Defined Benefit Plan and Trust (Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The RTA Employees Defined Benefit Plan and Trust (Plan) is a single-employer defined benefit pension plan administered by the Corpus Christi Regional Transportation Authority (Authority) and established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the Plan document. The current Plan provisions were established by a Plan and Trust agreement adopted by the Board of Directors in July 1986, and amended in July 1994, February 2002, November 2010, December 2011, and December 2012.

Benefits

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan assets are maintained under a trust agreement with Wells Fargo Bank (Trustee). The Trustee carries out an investment policy established by the Authority Board consistent with purposes of the Plan and all applicable laws. Administration costs are paid by the Plan.

Any employee shall be eligible to participate in the Plan on the date of the commencement of full-time employment or reemployment. For purposes of this section, a full-time employee shall be defined as any employee who receives compensation from the employer on the basis of an average of at least 40 hours of employment per week. Once an employee has become a participant, he will continue to be a participant as long as he continues to be an employee without a break in service and thereafter as long as he or his beneficiary retains any right to benefits under the Plan.

Plan participants are eligible for their pension benefit after terminating employment with vested rights. Participants are eligible for normal retirement on his normal retirement date (first day of the calendar month immediately following the date he attains age 62). A participant who has both attained his 55th birthday and has completed at least ten (10) years of service may retire at any time by giving at least 120 days prior written notice to the employer, but at a benefit reduced by 5% for each year preceding his normal retirement date. Participants should refer to the Plan Document for a more complete description of the Plan reduction factors. Normal retirement benefits shall be an amount equal to 2% of his final average compensation multiplied by his years of service (converted to a monthly retirement benefit by dividing by twelve).

Note 1 –DESCRIPTION OF PLAN – (Continuation)

Vesting

Vesting begins at three years of service with full vesting at seven years. Employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of average compensation for the final three consecutive years of employment times their number of years of service for the Authority. Reduced retirement benefits are available at age 55 with ten years of service. In December 2012, the Plan was amended to allow those eligible for early retirement during a specified window without incurring the normal reduction in benefits. The Plan is not indexed for inflation. As of January 1, 2015 there were 538 participants in the Plan as follows:

	<u>2015</u>	<u>2014</u>
Retirees and beneficiaries currently receiving benefits	140	129
Terminated and entitled to, but not yet receiving benefits	175	164
Active employees	<u>223</u>	<u>232</u>
TOTAL PARTICIPANTS	<u><u>538</u></u>	<u><u>525</u></u>

Death Benefits

If the employment of a Participant is terminated by reason of his death prior to the completion of three (3) years of service, no death benefits shall be payable under the Plan. If the employment of a participant is terminated by reason of his death while in the employment of the Authority after the completion of three (3) years of service or after having terminated with at least three (3) years of service, then a death benefit shall be payable to the participant’s surviving spouse equal to the “Pre-Retirement Survivor Annuity”. The “Pre-Retirement Survivor’s Annuity” means a survivor annuity for the life of the deceased participant’s spouse which provides payments to the surviving spouse that are equal to the amounts that would have been paid to the surviving spouse (details provided in Plan Document).

If the participant does not have a surviving spouse, no death benefit shall be payable.

Disability Retirement

Employees determined to be disabled under terms of the Authority’s long-term disability program as of June 1, 1999 shall be entitled to benefits under this Plan to the extent the Plan provisions in place on June 1, 1999 provided for such benefits.

Contributions

The Authority shall contribute to the fund from time to time amounts based upon the recommendations of the Plan’s actuary, in order to fund the costs of the Plan on an acceptable basis. All employer contributions when made to the fund and all property and funds of the fund, including income from investments and from all other sources, shall be retained for the exclusive benefit of participants and their beneficiaries, and shall be used to pay retirement income provided hereunder or to pay expenses of administration of the Plan and the fund.

No contributions shall be required of or permitted by any participant under this Plan.

Note 1 –DESCRIPTION OF PLAN – (Continuation)

Funding Policy

The employer shall establish a funding policy and method consistent with Plan objectives in order that the long range and short range financial needs of the Plan may be determined and communicated to the Board.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to the accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued June 2012 and is effective for fiscal years beginning after June 15, 2013. This statement amends GASB Statement No. 25 and GASB Statement No. 50, as they relate to pension plans administered through trusts that meet certain criteria. This statement establishes standards for financial reporting and amends note disclosure and required supplemental information requirements for defined benefit pension plans administered through qualified trusts. The requirements of these statements were implemented in 2014.

Investment Valuation and Income Recognition

The Plan's investments are stated at market value, unless otherwise indicated. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further information and related disclosures regarding the Plan's investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in the fair value of investments includes realized gains or losses and unrealized appreciation or depreciation on investments bought and sold as well as held during the year. Gains and losses on the sale of investments in registered investment company funds are computed using the weighted average cost method.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Use of Estimates

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported carrying value of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Risk and Uncertainties

The Plan may invest in various types of investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Payment of Benefits

Benefit payments are recognized as expenses when due and payable in accordance with the terms of the Plan.

Administrative Expenses

The employer may pay all expenses incurred in the administration of the Plan, including expenses and fees of the Trustee, but it shall not be obligated to do so; except that any such expenses and fees not paid by the employer shall be paid from the Plan. All expenses not paid by the employer and all other proper charges and disbursements of the Trustee, including taxes of any kind which may be levied or assessed under existing or future laws upon or in respect to the Fund or the Trust created hereby, shall be paid by the Trustee out of, and shall constitute a first charge upon, the Fund. In addition, certain investment related expenses are included in the net appreciation of fair value of investments presented in the accompanying *Statement of Changes in Fiduciary Net Position*.

Note 3 – DEPOSITS AND INVESTMENTS

The investments of the Plan at fair value at December 31, 2015 are noted below:

	<u>2015</u>	<u>2014</u>
Money Market Fund-		
Wells Fargo Short Term Investment Fund F	615,256	627,043
Mutual Funds:		
Domestic Equity:		
Delaware US Growth Fund Instl Class	914,771	785,746
Fixed Income:		
Metropolitan West Total Return Bond Fund Class I	2,450,950	2,157,677
International Equity:		
Acadian Emerging Markets Portfolio Class Inst	588,737	939,532
Harbor International Fund Class Institutional	1,207,560	1,240,036
Commodity:		
Alps/Corecommodity Mgmt Complete Comm Strat Fund CI I	580,350	759,598
Real Estate:		
Vanguard REIT ETF	619,582	766,098
Total Mutual Funds	<u>6,361,950</u>	<u>6,648,687</u>
Collective Investment Funds:		
Domestic Equity:		
Wells Fargo Multi-Manager Small Cap CIT F	2,969,328	3,148,534
Wells Fargo Blackrock S&P Midcap Index CIT F	2,969,475	3,152,764
Wells Fargo Blackrock S&P 500 Index CIT F	3,309,196	3,470,431
Wells Fargo MFS Value CIT F	896,265	788,753
Wells Fargo T Rowe Price Instit Equity Income Managed CIT F	899,504	790,069
Wells Fargo T Rowe Price Instit Large-Cap Growth Managed CIT F	908,941	791,341
Fixed Income:		
Wells Fargo Core Bond Fund	3,373,427	4,634,660
Wells Fargo Dodge & Cox Intermediate Bond CIT F	2,443,439	2,160,486
Wells Fargo Federated Total Return Bond CIT F	2,445,626	2,157,427
International Equity:		
Wells Fargo Causeway International Value CIT F	1,511,774	1,547,163
Wells Fargo Lazard International Equity CIT F	1,506,186	1,244,990
Total Collective Investment Funds	<u>23,233,161</u>	<u>23,886,618</u>
 TOTAL INVESTMENTS	 <u><u>30,210,367</u></u>	 <u><u>31,162,348</u></u>

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology is unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from, or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are inputs that are unobservable and significant to the fair value measurement.

Valuation Methodology

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Plan at the end of the year. Accounts are based on available quoted market prices.

Level 2 Fair Value Measurements

The fair value of certain units of Collective Investment Funds is based on significant other observable inputs. Underlying investments include securities, government and agency obligations, and fixed income securities. Securities traded on security exchanges are valued at closing market prices on the valuation date. Securities traded in the over-the-counter market are valued at the last sale on the valuation date, if any, otherwise at the last reported bid price. Government and agency obligations are valued based upon the most recent bid quotation for identical or similar obligations. Fixed income securities are valued based upon the most recent bid quotation obtained from major market makers or security exchanges. The fair value of the collective trust fund is the respective net asset values reported by the fund daily.

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following presents the Plan's fair value measurements at December 31, 2015 and 2014 reported by level, within the fair value hierarchy and segregated by entity size or investment objective.

	FAIR VALUE MEASUREMENTS		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)
DECEMBER 31, 2015			
Money Market Fund	615,256	615,256	--
Mutual Funds:			
Domestic Equity	914,771	914,771	--
Fixed Income	2,450,950	2,450,950	--
International Equity	1,796,297	1,796,297	--
Commodity	580,350	580,350	--
Real Estate	619,582	619,582	--
Total Mutual Funds	<u>6,361,950</u>	<u>6,361,950</u>	--
Collective Investment Funds:			
Domestic Equity	11,952,709	--	11,952,709
Fixed Income	8,262,492	--	8,262,492
International Equity	3,017,960	--	3,017,960
Total Collective Investment Funds	<u>23,233,161</u>	<u>--</u>	<u>23,233,161</u>
TOTAL	<u><u>30,210,367</u></u>	<u><u>6,977,206</u></u>	<u><u>23,233,161</u></u>

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

	FAIR VALUE MEASUREMENTS		
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)
DECEMBER 31, 2014			
Money Market Fund	627,043	627,043	--
Mutual Funds:			
Domestic Equity	785,746	785,746	--
Fixed Income	2,157,677	2,157,677	--
International Equity	2,179,568	2,179,568	--
Commodity	759,598	759,598	--
Real Estate	766,098	766,098	--
Total Mutual Funds	6,648,687	6,648,687	--
Collective Investment Funds:			
Domestic Equity	12,141,892	--	12,141,892
Fixed Income	8,952,573	--	8,952,573
International Equity	2,792,153	--	2,792,153
Total Collective Investment Funds	23,886,618	--	23,886,618
TOTAL	31,162,348	7,275,730	23,886,618

Investment Policy

The Board of Directors of the Authority has the ultimate responsibility for establishing, terminating, modifying, and administering the Plan. It has delegated the responsibility for administering and managing the Plan's assets to the RTA Audit, Finance, Health and Pension Subcommittee (Subcommittee). The Subcommittee has developed a Statement of Investment Policy in order to establish investment objectives and guidelines for the management and monitoring of investments utilized within the Plan.

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

This Investment Policy is intended to be a guide. If a conflict arises between the Plan trust documents and the Investment Policy, the Plan trust documents will supersede all matters herein.

The primary investment objective is to earn a rate of return sufficient to match or exceed the long-term growth of the Plan’s liabilities through a combination of income and capital appreciation, in a manner consistent with the fiduciary standards of ERISA and with sound investment practices for these funds. Accordingly, the investment manager is required to exercise a high degree of professional care, skill, prudence and diligence in the management of the funds’ assets.

Assets are invested to minimize the chance of suffering market value losses. Assets are diversified into different styles with a prudent number of individual issues within each style to mitigate concentration risk. Investment performance is measured quarterly but it is not anticipated that performance goals will be satisfied in every single quarter or year. It is, however, expected that these totals be satisfied over a full market cycle. A full market cycle is considered to be three to five years. In addition, the performance of the various asset categories utilized within the overall investment array should be competitive on a long-term basis with their appropriate benchmarks based on investment objective, investment style and market capitalization.

Asset Allocation

The Plan’s asset allocation policy as of December 31, 2015, adopted by the Subcommittee, is as follows. There were no modifications to the investment policy during 2015.

	TARGET %	MAXIMUM %	MINIMUM %	BENCHMARK
Cash	2%	3%	0%	Treasury Bill Equivalent
Equities	60%	70%	50%	S&P 500
Fixed Income	38%	50%	27%	Barclays Capital Aggregate

Rate of Return

The portfolio is expected to produce a compounded annual absolute return over a market cycle of at least 7.5%. For the year ended December 31, 2015 and 2014, the annual dollar-weighted rate of return for the Plan investments, was (1.42%), and 5.07% The dollar-weighted rate of return demonstrates that the present value of future cash flows plus the final market value of the investments equal the current market price of the investment.

Interest Rate Risk

This is the risk that changes in the interest rates will negatively impact the fair value of an investment. As market interest rates rise, the fair value of an investment held decreases. The Plan’s current Investment Policy does not specifically address interest rate risk. The Plan does, however, monitor exposure using the “Segmented Time Distribution” method.

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

The following is a list of the Plan's fixed income investments and related maturity schedule (in years) as of December 31, 2015 and 2014. The maturity schedule is based on the average maturity of the fund as noted by the fund manager:

DECEMBER 31, 2015

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>LESS THAN 1 YEAR</u>	<u>1-5 YEARS</u>	<u>5-10 YEARS</u>	<u>10+ YEARS</u>
Collective Investment Funds					
Fixed Income:					
WF Core Bond Fund	3,373,427	101,203	1,652,979	1,248,168	371,077
WF Dodge & Cox Intermediate Bond Fund	2,443,439	--	1,417,195	610,860	415,384
WF Federated Total Return Bond Fund	2,445,626	97,825	513,581	1,002,707	831,513
Total Collect Inv Funds	8,262,492	199,028	3,583,755	2,861,735	1,617,974
Mutual Fund					
Fixed Income:					
Metropolitan West Total Return Bond Fund C I I	2,450,950	--	--	2,450,950	--
TOTAL	10,713,442	199,028	3,583,755	5,312,685	1,617,974

DECEMBER 31, 2014

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>LESS THAN 1 YEAR</u>	<u>1-5 YEARS</u>	<u>5-10 YEARS</u>	<u>10+ YEARS</u>
Collective Investment Funds					
Fixed Income:					
WF Blackrock US Aggregate Bond Fund	4,634,660	46,346	2,502,717	1,436,745	648,852
WF Dodge & Cox Intermediate Bond Fun	2,160,486	--	984,965	868,732	306,789
WF Federated Total Return Bond Fund	2,157,427	213,584	457,375	780,989	705,479
Total Collect Inv Funds	8,952,573	259,930	3,945,057	3,086,466	1,661,120
Mutual Fund					
Fixed Income:					
Metropolitan West Total Return Bond Fund C I I	2,157,677	--	--	2,157,677	--
TOTAL	11,110,250	259,930	3,945,057	5,244,143	1,661,120

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

Custodial Credit Risk

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by counterparty, or counterparty's trust department or agent but not in the government's name. This is the risk that in the event of bank or investment failure, the Plan's deposits or investments may not be returned. The Plan's investment policy does not specifically address custodial credit risk; however, all of Defined Benefits' deposits and investments are in the name of the Plan and Trust. as of December 31, 2015 and 2014, the Plan's deposits or investments exposed to custodial credit risk are minimal.

Concentration of Credit Risk

This is the risk of investing predominately in any one type of investment or entity. The Plan recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Plan's adopted investment policy established diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on a monthly basis. Per the policy, no equity holding may exceed 5% of the outstanding voting shares of the issuing corporation. Likewise, regarding fixed income investments, not more than 5% of the market value of the total portfolio may be invested in the debt securities of any one company. As of December 31, 2015 and 2014 there were no exceptions to these policy limits.

The following table presents fair value of investments at December 31, 2015 and 2014. Investments that represent 5 percent or more of the Plan's net assets are separately identified.

	<u>2015</u>	<u>2014</u>
Money Market Fund-		
Wells Fargo Short Term Investment Fund F	615,256	627,043
Mutual Funds:		
Metropolitan West Total Return Bond Fund Class I	2,450,950	2,157,677
Other Mutual Funds	3,911,000	4,491,010
Total Mutual Funds	<u>6,361,950</u>	<u>6,648,687</u>
Collective Investment Funds:		
Wells Fargo Core Bond Fund F	3,373,427	4,634,660
Wells Fargo Blackrock S&P 500 Index CIT F	3,309,196	3,470,431
Wells Fargo Blackrock S&P Midcap Index CIT F	2,969,475	3,152,764
Wells Fargo Multi-Manager Small Cap CIT F	2,969,328	3,148,534
Wells Fargo Federated Total Return Bond CIT F	2,445,626	2,157,427
Wells Fargo Dodge & Cox Intermediate Bond CIT F	2,443,439	2,160,486
Wells Fargo Causeway International Value CIT F	1,511,774	1,547,163
Other Collective Investment Funds	4,210,896	3,615,153
Total Collective Investment Funds	<u>23,233,161</u>	<u>23,886,618</u>
 TOTAL INVESTMENTS, AT FAIR VALUE	 <u>30,210,367</u>	 <u>31,162,348</u>

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. The Plan's investment policy addresses general provisions relating to common stocks where limits are established on percentage of investing in a particular stock. The policy also stresses high quality and reasonable diversification of fixed income investments with portfolio holdings concentrated in securities rated A or better, limiting 10% of holdings invested in issues rated below BBB, only with management approval. The Plan's fixed income investments are rated based on the average quality of the fixed income investments as noted below:

DECEMBER, 31, 2015

	WF Dodge & Cox Intermed Bond CIT F	WF Federated Total Return Bond CIT F	WF Core Bond Fund CIT F	Metropolitan West Total Return Bond I	Total
Cash	73,303	48,912	--	--	122,215
Not Rated*	1,075,113	146,738	1,045,762	245	2,267,858
AAA	73,303	929,338	1,619,245	1,720,812	4,342,698
AA	24,435	48,913	67,469	102,450	243,267
A	122,172	317,931	168,671	262,252	871,026
BBB	830,769	660,319	472,280	228,428	2,191,796
BB and Below	244,344	293,475	--	136,763	674,582
TOTAL	2,443,439	2,445,626	3,373,427	2,450,950	10,713,442

DECEMBER 31, 2014

	WF Dodge & Cox Intermed Bond CIT F	WF Federated Total Return Bond CIT F	WF Core Bond Fund CIT F	Metropolitan West Total Return Bond I	Total
Cash	17,499	24,595	--	--	42,094
Not Rated*	1,562,033	372,587	--	7,336	1,941,956
AAA	85,555	214,880	3,383,302	1,508,863	5,192,600
AA	5,401	829,747	185,386	109,826	1,130,360
A	102,191	174,104	509,813	199,801	985,909
BBB	249,320	541,514	556,159	150,606	1,497,599
BB and Below	138,487	--	--	181,245	319,732
TOTAL	2,160,486	2,157,427	4,634,660	2,157,677	11,110,250

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

Foreign (International) Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's investment policy allows for fixed income investments which may be international in addition to International Equity funds. The country/regional allocation of the fund is provided below based on prospectus allocations:

DECEMBER 31, 2015

Fund Region	America Region	Europe Region	Asia Region	Australia & Oceania Region	East Region	Other Region	Total
Acadian Emerging Markets Portfolio Class Inst	83,130	24,020	426,246	--	55,341	--	588,737
Harbor International Fund Class Institutional	167,972	901,443	138,145	--	--	--	1,207,560
Wells Fargo Causeway International Value CIT F	48,528	1,042,519	409,086	11,641	--	--	1,511,774
Wells Fargo Lazard International Equity CIT F	50,758	951,157	339,043	38,408	55,126	71,694	1,506,186
TOTAL	350,388	2,919,139	1,312,520	50,049	110,467	71,694	4,814,257

DECEMBER 31, 2014

Fund Region	America Region	Europe Region	Asia Region	Australia & Oceania Region	East Region	Other Region	Total
Acadian Emerging Markets Portfolio Class Inst	194,013	32,696	622,064	--	90,759	--	939,532
Harbor International Fund Class Institutional	52,702	999,841	147,564	--	--	39,929	1,240,036
Wells Fargo Causeway International Value CIT F	15,007	1,039,229	413,557	--	--	79,370	1,547,163
Wells Fargo Lazard International Equity CIT F	43,575	833,521	265,681	23,655	49,177	29,381	1,244,990
TOTAL	305,297	2,905,287	1,448,866	23,655	139,936	148,680	4,971,721

Note 4 – NET PENSION LIABILITY

The Net Pension Liability is measured as the Total Pension Liability, less the amount of the Plan’s Fiduciary Net Position. In actuarial terms, this will be the accrued liability less the market value of assets. The components of the Plan’s Net Pension Liability as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Total Pension Liability	33,530,870	31,895,409
Plan Fiduciary Net Position	<u>30,210,461</u>	<u>31,162,434</u>
NET PENSION LIABILITY	<u><u>3,320,409</u></u>	<u><u>732,975</u></u>

The Schedule of Net Pension Liability presents multi-year trend information beginning with 2014 to illustrate changes in the Plan fiduciary net position over time. In addition to the above, this information is presented in the required supplementary information.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method	Entry Age Normal
Inflation	--
Salary Increases	3.5%
Mortality	RP 2000 static Mortality Table
Ad Hoc Post-Employment Benefits	Not applicable

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. Pursuant to Paragraph 43 of GASB No. 67, an alternative analysis was performed to compare the Plan’s net fiduciary position to projected benefit payments.

1. The Normal Cost represents the annual cost of benefit payments arising from future service increases for active employees.
2. The Unfunded Actuarial Accrued Liability represents the accumulated deficiency of the total cost of benefit payments which have already been earned over the current assets held by the Plan’s trust.
3. The Authority’s contribution policy is to make an annual payment equal to the Normal Cost plus the amortization payment of the Unfunded Actuarial Accrued Liability. The amortization payment is calculated as a level dollar amount over a period of 15 years from January 1, 2009.

Note 4 – NET PENSION LIABILITY – (Continuation)

4. A review of actual contributions over the past five years shows that the Authority has made sufficient contributions to meet its funding policy.

On the basis of the above, the projected cash flows will be sufficient to provide the benefit payments to the Plan participants. Thus, the Discount Rate is equal to the long-term expected rate of return of 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the Plan, calculated using the discount rate of 7.5%, as well as what the Plan's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	<u>1% Decrease to 6.5%</u>	<u>Current Single Rate Assumption of 7.5%</u>	<u>1% Increase to 8.5%</u>
2015	7,338,602	3,320,409	(57,330)
2014	4,359,496	732,975	(2,566,523)

Note 5 – PLAN TERMINATION

Although it has not expressed any intention to do so, the Authority expressly reserves right under the Plan to terminate or partially terminate the Plan and its contributions thereunder at any time subject to the provisions set forth in Section 7 of the Plan and by giving written notice of such termination or discontinuation of its contribution to the Trustee. In the event the Plan terminates, or partially terminates, the present value of the benefits shall be determined as of the Plan termination date and the assets of the Trust Fund shall be allocated to the extent they shall be sufficient, after providing for expenses and administration, in the following order:

1. First
 - a. To benefits which are being paid as of three years prior to the date of termination of the Plan, with the amount to be allocated to such benefit, based on the provisions of the Plan in effect during the five-year period immediately preceding the date of termination under which such benefit would be least.
 - b. To benefits which would have been paid as of three years prior to the date of termination (i) if the Participant had retired prior to the three-year period and (ii) if his benefits had commenced (in the normal form of annuity under the Plan) as of the beginning of such three-year period, with the amount to be allocated to each such benefit determined under the provisions of the Plan in effect during the five-year period preceding the date of termination under which the benefit would be the least.

Note 5 – PLAN TERMINATION (Continuation)

2. Second, to all other vested Accrued Benefits as determined under Section 3.05.
3. Third, to all other Accrued Benefits attributable to non-vested participants.

For purposes of 1.b.i above, the lowest benefit in pay status during a three-year period shall be considered the benefit in pay status for such period.

If the assets available for allocation to any class specified above are insufficient to satisfy in full the benefits of all individuals within that class, the assets shall be allocated pro-rata among such individuals on the basis of present value (as of the termination date) of their respective benefits.

Note 6 – TAX STATUS

On October 4, 2011, the Internal Revenue Service (IRS) issued a favorable determination letter stating that the Plan was in compliance with Section 1.401-1(b)(3) of the Code of Federal Regulations.

On January 27, 2016 a determination request was submitted to the IRS and is intended to comply with the requirements for a plan and trust qualified under Sections 401(a) and 501(a) of the Internal Revenue Code. The Plan's most recent determination letter, dated October 4, 2011, is contingent upon the timely adoption of a First Amendment to the prior Plan document. The First Amendment to the prior Plan document, dated December 7, 2011, is included in the application to evidence its timely adoption. Since the execution of the First Amendment to the prior Plan Document, the Plan Sponsor has executed a Second Amendment to the prior Plan Document and the current Plan Document.

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

Required Supplementary Information

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

	<u>2015</u>	<u>2014</u>
Fiscal Year Ended December 31:		
Total Pension Liability:		
Service Cost	876,806	695,517
Interest	2,396,547	2,255,081
Changes of Benefit Terms	115,478	391,915
Differences Between Expected and Actual Experience	(260,046)	784,295
Benefit Payments, Included Refunds or Member Contributions	(1,493,324)	(1,248,352)
Net Change in total Pension Liability	1,635,461	2,878,456
Total Pension Liability - Beginning	31,895,409	29,016,953
TOTAL PENSION LIABILITY - ENDING (a)	33,530,870	31,895,409
Plan Fiduciary Net Position:		
Contributions - Employer	985,175	1,178,498
Net Investment Income (Loss)	(348,950)	1,706,633
Benefit Payments, Including Refunds of Member Contributions	(1,493,324)	(1,248,352)
Administrative Expense	(94,874)	(91,465)
Net Change in Plan Fiduciary Net Position	(951,973)	1,545,314
Plan Fiduciary Net Position - Beginning	31,162,434	29,617,120
PLAN FIDUCIARY NET POSITION - ENDING (b)	30,210,461	31,162,434
NET PENSION LIABILITY - ENDING (a) - (b)	3,320,409	732,975
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.10%	97.70%
Covered Employee Payroll	\$ 8,818,232	\$ 7,274,172
Net Pension Liability as a Percentage of Covered Employee Payroll	37.65%	10.08%

Notes to Schedule

1. No Significant Factors Noted to Disclose
2. No Significant Methods or Assumptions to Disclose.
3. Schedule Will be Built Out to 10 Years.

See accompanying independent auditors' report.

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially Determined Contributions	983,696	695,517	988,534	1,125,651	886,742	1,168,423	1,355,811	576,140	529,681	565,571
Contribution in Relation to the Actuarially Determined Contribution	985,175	1,178,498	1,280,330	1,125,651	1,064,288	1,168,423	1,355,811	576,140	529,681	565,571
CONTRIBUTION DEFICIENCY (EXCESS)	(1,479)	(482,981)	(291,796)	--	(177,546)	--	--	--	--	--
Covered Employee Payroll	8,818,232	7,274,172	7,474,445	7,221,526	7,073,120	7,246,596	6,634,041	6,394,664	6,338,961	6,758,209
Contributions as a Percentage of Covered-Employee Payroll	11.2%	16.2%	17.1%	15.6%	15.0%	16.1%	20.4%	9.0%	8.4%	8.4%

Notes to Schedule

Valuation Date Actuarially determined contribution rates are calculated as of January 1 for the respective year of contributions.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Closed-Level dollar amount over 15 years from January 1, 2009
Remaining Amortization Period	9 Years
Asset Valuation Method	Market Value
Inflation Rate	--
Salary Increases	3.50%
Investment Rate of Return	7.50%
Retirement Age	All participants were assumed to retire at age 62
Mortality Rates	RP 2000 Mortality Table

See accompanying independent auditors' report.

RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

Required Supplementary Information

SCHEDULE OF INVESTMENT RETURNS

	DECEMBER 31,	
	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	-1.42%	5.07%

Note - Schedule Will be Built Out to 10 Years.

See accompanying independent auditors' report.